



*Republic of the Philippines*  
**COMMISSION ON AUDIT**  
*Commonwealth Avenue, Quezon City*

# **ANNUAL AUDIT REPORT**

**on the**

**INTERCONTINENTAL  
BROADCASTING CORPORATION  
(IBC-13)**

**For the Years Ended December 31, 2021 and 2020**

## EXECUTIVE SUMMARY

### INTRODUCTION

The Intercontinental Broadcasting Corporation (IBC-13) was originally incorporated as the Continental Broadcasting Corporation (CBC) under Securities and Exchange Commission Registration No. 4118 dated May 11, 1970. The Articles of Incorporation was amended on September 30, 1974, renaming CBC to IBC-13, with the same set of stockholders and subscribers to its capital stock. The IBC-13 studios are located at Broadcast City, Capitol Hills, Diliman, Quezon City, while its transmitter is situated at #25 St. Peter Street, Nuestra Señora De La Paz Subdivision, Barangay Sta. Cruz, Antipolo City.

On March 1, 1986, Juan Ponce Enrile, then Minister of National Defense, ordered the sequestration of the Broadcast City television (TV) and radio stations, which included IBC-13, Radio Philippines Network and Banahaw Broadcasting Corporation, under Ministry Order No. A-003 based on the request of the then Presidential Commission on Good Government (PCGG) Chairman, Jovito Salonga. Thereafter, then President of the Republic of the Philippines, Corazon C. Aquino, issued Executive Order (EO) No. 11 dated April 8, 1986, creating a Board of Administrators to manage and operate the business and affairs of the said stations and have custody of their funds and assets subject to the supervision and control of the PCGG. By virtue of a compromise agreement with the PCGG dated November 3, 1990, the Corporation was surrendered/ceded by Mr. Roberto S. Benedicto to the Republic of the Philippines.

In July 2000, Congress approved IBC-13's 25-year franchise to operate and maintain radio and television broadcasting stations in the country. Under Section 2 of EO No. 576 dated November 7, 2006, the Corporation and other government communication agencies were placed under the supervision and control of the Director-General, Philippine Information Agency under the Office of the President (OP).

IBC-13 presently operates under the control and supervision of the Presidential Communications Operations Office (PCOO) in accordance with Section 4 of EO No. 4 dated July 30, 2010.

The primary purposes of the Corporation are to carry on the business as operators and/or proprietors of instruments and media of mass communication such as radio, television and/or telecommunication stations on a commercial and/or sustaining operation in any part of the Philippines, and to deal in the manufacture and distribution of radio, television and other electronic components and/or part thereof.

As of December 31, 2021, the Board of Directors was composed of Mr. Arturo M. Alejandrino, Chairman; Mr. Hexilon G. Alvarez, President and Chief Executive Officer (CEO); Mr. Alexander L. Bangsoy, Member; Ms. Marilyn D. Montano, Member; Mr. Josefino D. Manhilot, Member; and Ms. Catherina De Leon-Villar, Member.

To date, IBC-13 has only one TV station on air, the IBC-13 Manila.

As of December 31, 2021, the IBC-13 had 163 personnel complement for Central Office and provincial stations consisting of the following:

President and CEO	1
General Manager	1
Managers	8
Directors	3
Supervisors	27
Co-terminus	-
Rank and file	99
<b>Total Regular</b>	<b>139</b>
Probationary	2
Contractual	3
<b>Total Non-Regular</b>	<b>5</b>
Talent	10
Retainer	5
Contract of Service	4
<b>Total Contract of Service</b>	<b>19</b>

For its privatization process, IBC-13's Privatization Committee composed of PCOO, Governance Commission for GOCCs (GCG) and IBC-13 is now completing the terms of reference and proper guidelines.

## FINANCIAL HIGHLIGHTS (In Philippine Peso)

### I. COMPARATIVE FINANCIAL POSITION

	2021	2020	Increase (Decrease)
Assets	1,052,751,840	776,554,143	276,197,697
Liabilities	1,298,005,422	1,334,082,052	(36,076,630)
Capital deficiency	(245,253,582)	(557,527,909)	312,274,327

### II. COMPARATIVE RESULTS OF OPERATIONS

	2021	2020	Increase (Decrease)
Revenue	220,525,836	18,567,854	201,957,982
Subsidy	432,721,110	198,072,489	234,648,621
Current operating expenses	(441,197,246)	(183,267,849)	(257,929,397)
Non-operating income	25,300	570,000	(544,700)
<b>Net surplus</b>	<b>212,075,000</b>	<b>33,942,494</b>	<b>178,132,506</b>

### III. CY 2021 BUDGET AND ACTUAL AMOUNTS

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Personnel services	140,115,575	160,161,683	(20,046,108)
Maintenance and other operating expenses	68,915,495	52,705,266	16,210,229
Financial and non-cash expenses	-	228,330,297	(228,330,297)
Capital expenditures	43,986,154	184,896,715	(140,910,561)
	<b>253,017,224</b>	<b>626,093,961</b>	<b>(373,076,737)</b>

#### SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts, transactions and operations of IBC-13 for CY 2021 in accordance with International Standards of Supreme Audit Institutions. It was also aimed to express an opinion as to whether the financial statements present fairly the IBC-13's financial position, results of operations and cash flows, and to determine the Agency's compliance with pertinent laws, rules and regulations.

#### AUDITOR'S OPINION

We do not express an opinion on the accompanying financial statements of IBC-13. We have not been able to obtain sufficient appropriate audit evidence to provide basis for an audit opinion on these financial statements in view of the following:

1. The faithful presentation of the Property, Plant and Equipment (PPE) account with carrying amount of P700.247 million as of December 31, 2021, could not be established due to variances amounting to P241.744 million (in absolute amount) between the balance per books and the Report on the Physical Count of PPE (RPCPPE) in view of, among others: (a) inclusion in the RPCPPE of items from ongoing projects that were yet to be delivered amounting to P151.044 million; (b) various Office Equipment included in the RPCPPE provided under Joint Venture Agreement amounting to P3.724 million was not yet recorded in the books; and (c) erroneous recording of advances to contractors/suppliers to Communications Equipment account amounting to P25.437 million, contrary to Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Likewise, the non-derecognition of semi-expendable properties amounting to P63,145 and unserviceable properties of P96.334 million as provided under COA Circular No. 2016-006 and Paragraph 82 of International Public Sector Accounting Standard (IPSAS) 17, further affected the reliability of the PPE account balance.

Moreover, PPE Ledger Cards (PPELCs) and Property Cards (PCs) were not maintained by the Accounting Section and Property Division as required in Section 42, Chapter 10 of Government Accounting Manual, Volume I, precluding the immediate reconciliation of the PPE balances.

2. The accuracy, correctness and reliability of the Accounts Receivables (AR) – Trade account amounting to P401.883 million with the net amount of P94.828 million could not be ascertained due to: (a) existence of abnormal (negative) balance aggregating P15.277 million; and (b) non-maintenance of the Subsidiary Ledgers (SLs) and unavailability of the supporting documents/records for the recorded receivables aggregating to P312.992 million contrary to Sections 111(1) and 114 of Presidential Decree (PD) No. 1445.
3. The fair representation of the Cash in Bank account with a balance of P156.521 million could not be ascertained due to the inclusion of non-existing bank account with a balance of P8.994 million and the unrecorded reconciling items amounting to P6.306 million, contrary to Paragraph 27 of IPSAS 1. Moreover, Bank Reconciliation Statements (BRSs) were not regularly prepared and submitted to the Audit Team which is not in accordance with Section 74 of PD No. 1445, thus, resulting in the accumulation of unsubstantiated reconciling items.
4. The reliability, validity and accuracy of the balance of the Tax Withheld at Source account in the gross amount of P15.231 million as of December 31, 2021, were doubtful due to unavailability of the supporting documents amounting to P9.277 million.
5. IBC-13 did not adopt the cost-model in the valuation of the land and building under PPE account, contrary to Philippine Application Guidance No. 2 of IPSAS 17 amounting to P982.545 million.
6. The presentation of accounts in the Financial Statements (FSs) and Notes to FSs does not conform with the minimum requirements of IPSASs, thereby depriving the users/readers of the FSs of relevant information in making economic decisions, contrary to Paragraphs 15, 27 and 29 of IPSAS 1 and Section 4.2 and Annex K of COA Circular No. 2017-004.

For the above observation which caused the issuance of a disclaimer of opinion, we recommended that Management:

- 1.1 Instruct the Accounting Section and the Asset and Property Management Office (APMO) to:
  - a. Exert all efforts to reconcile variances between the balances per books and the RPCPPE aggregating P241.744 million (in absolute amount) and effect necessary adjustments/corrections in the affected records; and
  - b. Maintain PPELCs and PCs, respectively, for each item of PPE to facilitate reconciliation of the PPE accounts;
- 1.2 Require the Accounting Section to drop the semi-expendable property from the books in compliance with COA Circular No. 2016-006 dated December 29, 2016; and
- 1.3 Conduct a complete inventory of the PPE as provided under COA Circular No. 2020-006 dated January 31, 2020.

- 1.4 Instruct the Accounting Section to:
  - a. Coordinate with APMO with regards to assets received in connection with the Joint Venture Agreement and effect the necessary recording in the books, if any; and
  - b. Prepare adjusting entries to reclassify payment of advances made to suppliers/contractors from Communication Equipment to Advances to Contractors amounting to P25.437 million;
- 1.5 Disseminate information to IBC-13 officers and staff on the new accounting treatment of semi-expendable PPEs; and
- 1.6 Direct the Disposal Committee to facilitate the immediate disposal of the unserviceable properties and to prepare Inventory and Inspection Report of Unserviceable Property and submit the same to Accounting Section to serve as basis in derecognizing in the books the unserviceable properties in the amount of P96.334 million.
- 2.1 Require the Accounting Section to:
  - a. Maintain SLs for the Receivable account and locate/provide supporting documents of the recorded receivables totaling P312.992 million;
  - b. Submit the necessary documents to support the request for write-off of the dormant accounts pursuant to COA Circular No. 2016-005 dated December 19, 2016; and
  - c. Analyze the transactions affecting AR with negative balances and prepare the necessary adjusting entries.
- 3.1 Instruct the Accounting Section to:
  - a. Exert more effort to provide the supporting documents on the identified reconciling items;
  - b. Analyze the error noted in the BRS;
  - c. Effect the necessary adjustments to reflect the correct cash in bank balance in the books; and
  - d. Promptly prepare the monthly BRS of bank accounts maintained by IBC-13 and submit the same to the Audit Team including their supporting documents for audit purposes.
- 4.1 Instruct the Accounting Section to:

- a. Analyze the beginning balance of Tax Withheld at Source account and prepare the necessary adjustment to reflect the accurate balance of the account; and
  - b. Make a representation with the Bureau of Internal Revenue to confirm whether the balance of Tax Withheld at Source account particularly those from prior years could still be revalidated and be used as tax credit.
- 5.1 Instruct the Accounting Section to adopt the cost model on the valuation of IBC-13 PPE and prepare adjusting entry on the accounting policy adopted.
- 6.1 Instruct the Accounting Section to:
- a. Consider the noted suggestions in the FSs presentation and notes disclosure to align with the requirements of IPSAS and COA Circular No. 2017-004 to enhance the understandability of the FSs to the users and readers thereof;
  - b. Reconcile the discrepancies noted in the Retained Earnings, Subsidy from the National Government per Statement of Changes in Capital Deficiency, Statement of Cash Flow, and Statement of Comparison of Budget and Actual Amounts, respectively; and
  - c. Prepare the Statement of Changes in Net Assets/Equity following the desired format in compliance with COA Circular No. 2017-004 and its annexes.

## **OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

The other significant observations and recommendations that need immediate actions are as follows:

- 7. Increase in Basic Salary and 13<sup>th</sup> Month Differential of IBC-13 officers as well as Increase in Basic Salary of all its employees amounting to P1.955 million and P1.470 million, respectively, were implemented without approval from the Office of the President (OP), contrary to Sections 5 and 6 of PD No. 1597, thus, payments of the said increases and differential pay for Calendar Year 2021 were without legal basis.
- 7.1 We reiterated our prior year's recommendation that Management secure the approval from the OP relative to the increases in salary of the IBC-13 officers and employees, otherwise, refund the amount paid to avoid issuance of Notice of Suspension or Disallowance.
- 8. The extension of Tripartite Agreement for the system lease and broadcast services and transponder lease with a monthly payment of P1.725 million and US \$8,800, respectively, did not undergo proper procurement process, contrary to Section 4 of Appendix 24 and Section 10 of the 2016 Revised Implementing Rules and Regulations of Republic Act (RA) No. 9184.
- 8.1. We recommended that Management require the Bids and Awards Committee to:

- a. Conduct public bidding in the procurement of goods, services, and infrastructures to obtain the best price and quality for the system lease and broadcast services in accordance with Section 4 and Section 10, Rule IV of RA No. 9184; and
  - b. Include in its Annual Procurement Plan all programs and projects to be implemented by IBC-13 to promote transparency and ease of monitoring in the conduct of procurement activities.
9. The cash collections of IBC-13 were not deposited with any of the government depository bank contrary to Section 69 of PD No. 1445 and Item 32, Chapter 2 of the Revised Cash Examination Manual.
- 9.1 We recommended that the Management:
- a. Instruct the Accounting Section to prepare and maintain SLs on Cash-Collecting Officer (CO) account and immediately submit the same to the Audit Team; and
  - b. Require the CO to deposit the cash collections to any authorized government depository bank in compliance with Section 69 of PD No. 1445.
10. Payments made to various suppliers relative to the procurement of New Transmitter and Allied Equipment as well as payment to lease provider for the Transponder Lease and Digital Terrestrial Headend and Transmission Services Lease were not subjected to five per cent Value Added Tax and two per cent Expanded Withholding Tax with an aggregate amount of P6.091 million, contrary to Section 114 of National Internal Revenue Code, as amended by Section 37 of RA No. 10963, and Paragraph (J), Section 2 of BIR Revenue Regulations (RR) No. 11-2018 dated January 31, 2018, respectively. Thus, depriving the National Government of additional revenue.
- 10.1. We recommended that Management:
- a. Provide the concerned personnel of the Accounting Section and Internal Audit Department the appropriate training and seminars on Tax Reform for Acceleration and Inclusion (TRAIN) and other basic taxation courses that covers, among other, the nature and applicability of income, indirect (value-added and percentage taxes), excise, and documentary stamp taxes; and
  - b. Instruct the same to withhold the appropriate tax due in compliance with Section 37 of the TRAIN or RA No. 10963 and BIR RR No. 11-2018 and to remit the same to the BIR.

## **SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

Based on the Statement of Audit Suspensions, Disallowances and Charges issued as of December 31, 2021, the unsettled audit disallowance and suspensions amounted to



P383,111 and P2.817 million, respectively. Details are shown in Table 18, Part II of this Report.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 28 audit recommendations embodied in the prior years' Annual Audit Report (AAR), 13 were fully implemented, six were partially implemented and nine were not implemented. Details are shown in Part III of this Report.

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Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

## INDEPENDENT AUDITOR'S REPORT

### THE BOARD OF DIRECTORS

Intercontinental Broadcasting Corporation  
Broadcast City, Capitol Hills  
Diliman, Quezon City

### Report on the Audit of the Financial Statements

#### *Disclaimer of Opinion*

We were mandated to audit the financial statements of the **Intercontinental Broadcasting Corporation (IBC-13)**, which comprise the statement of financial position as at December 31, 2021 and 2020, and the statement of financial performance, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the IBC-13. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### *Basis for Disclaimer of Opinion*

The faithful presentation of the Property, Plant and Equipment (PPE) account with carrying amount of P700.247 million as of December 31, 2021, could not be established due to variances amounting to P241.744 million (in absolute amount) between the balance per books and the Report on the Physical Count of PPE (RPCPPE) in view of, among others: (a) inclusion in the RPCPPE of items from ongoing projects that were yet to be delivered amounting to P151.044 million; (b) various Office Equipment included in the RPCPPE provided under Joint Venture Agreement amounting to P3.724 million was not yet recorded in the books; and (c) erroneous recording of advances to contractors/suppliers to Communications Equipment account amounting to P25.437 million, contrary to Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Likewise, the non-derecognition of semi-expendable properties amounting to P63,145 and unserviceable properties of P96.334 million as provided under COA Circular No. 2016-006 and Paragraph 82 of International Public Sector Accounting Standard (IPSAS) 17, further affected the reliability of the PPE account balance.

Moreover, PPE Ledger Cards and Property Cards were not maintained by the Accounting Section and Property Division as required in Section 42, Chapter 10 of Government Accounting Manual, Volume I, precluding the immediate reconciliation of the PPE balances.

Likewise, the accuracy, correctness and reliability of the Accounts Receivables – Trade account amounting to P401.883 million with the net amount of P94.828 million could not be ascertained due to: (a) existence of abnormal (negative) balance for the recorded receivables aggregating P15.277 million; and (b) non-maintenance of the Subsidiary Ledgers and unavailability of the supporting documents/records for the recorded receivables aggregating to P312.992 million contrary to Sections 111(1) and 114 of Presidential Decree (PD) No. 1445.

Further, the fair representation of the Cash in Bank account with a balance of P156.521 million could not be ascertained due to the inclusion of non-existing bank account with a balance of P8.994 million and the unrecorded reconciling items amounting to P6.306 million, contrary to Paragraph 27 of IPSAS 1. Moreover, Bank Reconciliation Statements were not regularly prepared and submitted to the Audit Team which is not in accordance with Section 74 of PD No. 1445, thus, resulting in the accumulation of unsubstantiated reconciling items.

In addition, reliability, validity and accuracy of the balance of the Tax Withheld at Source account in the gross amount of P15.231 million as of December 31, 2021, were doubtful due to unavailability of the supporting documents amounting to P9.277 million.

Furthermore, IBC-13 did not adopt the cost-model in the valuation of the land and building under PPE account, contrary to Philippine Application Guidance No. 2 of IPSAS 17 amounting to P982.545 million.

Lastly, the presentation of accounts in the Financial Statements (FSs) and Notes to FSs does not conform with the minimum requirements of IPSASs, thereby depriving the users/readers of the FSs of relevant information in making economic decisions, contrary to Paragraphs 15, 27 and 29 of IPSAS 1 and Section 4.2 and Annex K of COA Circular No. 2017-004.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the IBC-13's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the IBC-13 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the IBC-13's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the IBC-13's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements

We are independent of the IBC-13 in accordance with the Revised Code of Conduct and Ethical Standards for the Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

### **Report on Other Legal and Regulatory Requirements**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 31 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with the GAAP. Such supplementary information is the responsibility of management.

### **COMMISSION ON AUDIT**

  
**SUZETTE G. PORNALES**  
OIC - Supervising Auditor

Audit Group G – Development, Media and Other Agencies  
Cluster 6-Social, Cultural, Trading, Promotional and Other Services  
Corporate Government Audit Sector

May 17, 2022



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

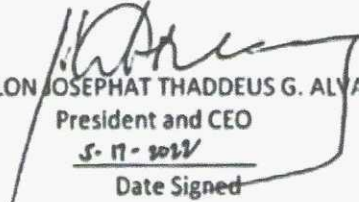
The Management of Intercontinental Broadcasting Corporation (IBC-13) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.


In preparing the financial statements, Management is responsible for assessing the IBC-13's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the IBC-13 or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the IBC-13's financial reporting process.

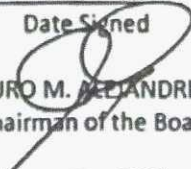
The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stake holders and other uses.

The Commission of Audit has examined the financial statements of the IBC-13 in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
HEXILON JOSEPHAT THADDEUS G. ALVAREZ  
President and CEO  
5-17-2022  
Date Signed

  
CORAZON C. REBOROSO  
General Manager

05-17-2022  
Date Signed

  
ARTURO M. MELANDRINO  
Chairman of the Board

May 17, 2022  
Date Signed

**INTERCONTINENTAL BROADCASTING CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
As at December 31, 2021 and 2020  
*(In Philippine Peso)*

	Note	2021	2020 (As Restated)	January 1, 2020 (As Restated)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	175,757,394	9,854,058	25,298,212
Receivables	9	94,828,121	13,721,719	55,475,898
Inventories	10	283,472	310,606	403,290
Other current assets	12	44,599,495	39,357,121	36,321,497
<b>Total current assets</b>		<b>315,468,482</b>	<b>63,243,504</b>	<b>117,498,897</b>
<b>Non-current assets</b>				
Receivables	9	22,778,674	27,815,964	80,559,677
Investments	12.2	8,768,100	8,768,100	34,010,100
Property, plant and equipment	11	700,247,023	671,237,014	82,825,168
Other non-current assets	12	5,489,561	5,489,561	5,469,562
<b>Total non-current assets</b>		<b>737,283,358</b>	<b>713,310,639</b>	<b>202,864,507</b>
<b>TOTAL ASSETS</b>		<b>1,052,751,840</b>	<b>776,554,143</b>	<b>320,363,404</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Financial liabilities	13	85,951,147	202,651,967	154,658,629
Inter-agency payables	14	2,136,934	48,115,002	141,667,626
Deferred credits/uneamed income	16	68,611,561	138,055,890	162,910,853
Other payables	18	2,148,269	1,324,941	2,065,134
<b>Total current liabilities</b>		<b>158,847,911</b>	<b>390,147,800</b>	<b>461,302,242</b>
<b>Non-current liabilities</b>				
Financial liabilities	18	-	134,213,607	134,213,607
Deferred credits/uneamed income	16	4,824,803	4,824,803	11,686,470
Provisions	17	779,987,021	730,341,288	716,703,808
Other payables	18.1	354,345,687	74,554,554	74,554,554
<b>Total non-current liabilities</b>		<b>1,139,157,511</b>	<b>943,934,252</b>	<b>937,158,439</b>
<b>TOTAL LIABILITIES</b>		<b>1,298,005,422</b>	<b>1,334,082,052</b>	<b>1,398,460,681</b>
<b>NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)</b>		<b>(245,253,582)</b>	<b>(557,527,909)</b>	<b>(1,078,097,277)</b>
<b>NET ASSETS/EQUITY</b>				
Subscribed capital stock		500,000	500,000	500,000
Accumulated surplus/(deficit)	27	924,252	(25,519,972)	112,968,528
Retained earnings/(deficit)	26	(1,229,223,047)	(1,509,787,514)	(1,613,751,578)
Revaluation surplus	28	982,545,213	977,279,577	422,185,773
<b>TOTAL NET ASSETS/EQUITY</b>		<b>(245,253,582)</b>	<b>(557,527,909)</b>	<b>(1,078,097,277)</b>

*The notes on pages 10 to 51 form part of these financial statements.*

**INTERCONTINENTAL BROADCASTING CORPORATION**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
For the Years Ended December 31, 2021 and 2020  
*(In Philippine Peso)*

	Note	2021	2020 (As Restated)
<b>REVENUE</b>			
Service and business income	19	220,525,836	18,567,854
<b>TOTAL REVENUE</b>		<b>220,525,836</b>	<b>18,567,854</b>
<b>CURRENT OPERATING EXPENSES</b>			
Personnel services	20	160,161,683	116,786,279
Maintenance and other operating expenses	21	52,705,266	64,009,686
Financial expenses	22	224,256,905	1,054,899
Non-cash expenses	23	4,073,392	1,416,985
<b>TOTAL CURRENT OPERATING EXPENSES</b>		<b>441,197,246</b>	<b>183,267,849</b>
<b>SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS</b>		<b>(220,671,410)</b>	<b>(164,699,995)</b>
Other non-operating income	24	25,300	570,000
<b>SURPLUS/(DEFICIT) BEFORE SUBSIDY</b>		<b>(220,646,110)</b>	<b>(164,129,995)</b>
Assistance and subsidy from national government	25	432,721,110	198,072,489
<b>NET SURPLUS/ (DEFICIT) FOR THE PERIOD</b>		<b>212,075,000</b>	<b>33,942,494</b>

*The notes on pages 10 to 51 form part of these financial statements.*



**INTERCONTINENTAL BROADCASTING CORPORATION**  
**STATEMENT OF CHANGES IN CAPITAL DEFICIENCY**  
For the Years Ended December 31, 2021 and 2020  
*(In Philippine Peso)*

	Note	2021	2020 (As Restated)
<b>Subscribed Capital Stock</b>		<b>500,000</b>	<b>500,000</b>
<b>Revaluation Increment</b>		<b>982,545,213</b>	<b>977,279,577</b>
<b>Retained Earnings</b>			
Beginning balance		(1,535,307,486)	(1,704,069,684)
Adjustments:			
April		94,009,439	203,286,634
June		-	(42,946,958)
Prior year's adjustments		924,251	(25,519,972)
Net income/(loss)		212,075,000	33,942,494
Ending balance	26	(1,228,298,796)	(1,535,307,486)
<b>CAPITAL DEFICIENCY</b>		<b>(245,253,583)</b>	<b>(557,527,909)</b>

*The notes on pages 10 to 51 form part of these financial statements.*

**INTERCONTINENTAL BROADCASTING CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2021 and 2020  
*(In Philippine Peso)*

	Note	2021	2020 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash inflows</b>			
Collection of revenue/accounts receivable		161,934,817	17,685,983
Receipt of assistance/subsidy		432,721,110	77,768,000
<b>Total cash inflows</b>		<b>594,655,927</b>	<b>95,453,983</b>
<b>Cash outflows</b>			
Payment of expenses		359,705,910	92,177,146
Partial payment of retirement pay		15,808,587	8,168,362
Remittance of VAT and taxes withheld		9,297,631	2,767,055
Remittance of inter-agency payables		7,765,541	6,254,470
<b>Total cash outflows</b>		<b>392,577,669</b>	<b>109,367,033</b>
<b>Net cash used in operating activities</b>		<b>202,078,258</b>	<b>(13,913,050)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash outflow</b>			
Acquisition of property, plant and equipment		36,174,922	1,531,104
<b>Total cash outflows</b>		<b>36,174,922</b>	<b>1,531,104</b>
<b>Net cash provided by/(used in) investing activities</b>		<b>(36,174,922)</b>	<b>(1,531,104)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>165,903,336</b>	<b>(15,444,154)</b>
Effects of exchange rate changes		-	-
<b>Cash and cash equivalents, January 1</b>		<b>9,854,058</b>	<b>25,298,212</b>
<b>Cash and cash equivalents, December 31</b>	8	<b>175,757,394</b>	<b>9,854,058</b>

*The notes on pages 10 to 51 form part of these financial statements.*

**INTERCONTINENTAL BROADCASTING CORPORATION**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
For the Year Ended December 31, 2021  
*(In Philippine Peso)*

	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<b>RECEIPTS</b>				
Service and business income	129,989,000	129,989,000	220,551,136	(90,562,136)
Assistance and subsidy	432,721,110	432,721,110	432,721,110	-
<b>Total receipts</b>	<b>562,710,110</b>	<b>562,710,110</b>	<b>653,272,246</b>	<b>(90,562,136)</b>
<b>PAYMENTS</b>				
Personnel services	140,115,575	140,115,575	160,161,683	(20,046,108)
Maintenance & other operating expenses	68,915,495	68,915,495	52,705,266	16,210,229
Financial and non-cash expenses	-	-	228,330,297	(228,330,297)
Capital outlay	184,896,715	43,986,154	184,896,715	(140,910,561)
<b>Total payments</b>	<b>393,927,785</b>	<b>253,017,224</b>	<b>626,093,961</b>	<b>(373,076,737)</b>
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>168,782,325</b>	<b>309,692,886</b>	<b>27,178,285</b>	<b>282,514,601</b>

*The notes on pages 10 to 51 form part of these financial statements.*

**INTERCONTINENTAL BROADCASTING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

*(All amounts in Philippine Peso, unless otherwise stated)*

**1. GENERAL INFORMATION**

The **INTERCONTINENTAL BROADCASTING CORPORATION** (IBC-13) was originally incorporated as the Continental Broadcasting Corporation (CBC) under Securities and Exchange Commission Registration No. 4118 dated May 11, 1970. The Articles of Incorporation was amended on September 30, 1974, renaming CBC to IBC-13, with the same set of stockholders and subscribers to its capital stock. The IBC-13 studios are located at Broadcast City, Capitol Hills, Diliman, Quezon City, while its transmitter is situated at # 125 St. Peter Street Nuestra Senora de la Paz Subdivision, Barangay, Sta. Cruz, Antipolo City.

On March 1, 1986, Juan Ponce Enrile, then Minister of National Defense, ordered the sequestration of Broadcast City television and radio stations, which included IBC-13, Radio Philippines Network and Banahaw Broadcasting Corporation, under Ministry Order No. A-003 based on the request of the then Presidential Commission on Good Government (PCGG) Chairman, Jovito Salonga. Thereafter, then President of the Republic of the Philippines, Corazon C. Aquino, issued Executive Order (EO) No. 11 dated April 8, 1986, creating a Board of Administrators to manage and operate the business and affairs of the said stations and have custody of their funds and assets subject to the supervision and control of the PCGG. By virtue of a compromise agreement with the PCGG dated November 3, 1990, the Network was surrendered/ceded by Mr. Roberto S. Benedicto to the Republic of the Philippines.

In July 2000, Congress approved IBC-13's 25 year franchise to operate and maintain radio and television broadcasting stations in the country. Under Section 2 of EO No. 576 dated November 7, 2006, the Network and other government communication agencies were placed under the supervision and control of the Director-General, Philippine Information Agency under the Office of the President.

IBC-13 presently operated under the control and supervision of the Presidential Communications Operations Office in accordance with Section 4 of EO No. 4 dated July 30, 2010.

The primary purposes of the corporation are to carry on the business as operators and/or proprietors of instruments and media of mass communication such as radio, television and/or telecommunication stations on a commercial and/or sustaining basis in any part of the Philippines, and to deal in the manufacture and distribution of radio, television and other electronic components and/or parts thereof.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs) prescribed for adoption by the Commission on Audit (COA) in COA Resolution No.2014-003 dated January 24, 2014.

These are the IBC-13's first financial statements prepared in accordance with IPSASs and IPSAS 33 *First-time Adoption of Accrual Basis* has been applied. The date of adoption of IPSASs is January 1, 2021. The accounting policies have been consistently applied throughout the year presented.

The financial statements have been prepared under the historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine Peso, the IBC-13's functional and presentation currency and amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted IPSASs requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies.

### **3. ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS**

COA Resolution No. 2014-003 dated January 24, 2014 prescribed the adoption of 25 IPSASs effective January 1, 2014 by non-government business enterprises, as amended by COA Resolution No. 2015-040 dated December 1, 2015, on the effectivity of the adoption of the IPSASs from May 22, 2015 to January 1, 2016. These IPSASs were based on the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the IPSAS Board. COA Resolution No. 2017-006 dated April 26, 2017 prescribed the adoption of additional six IPSASs and updates on the IPSASs prescribed in COA Resolution No. 2014-003 in accordance with the 2016 Edition of the HIPSAP.

#### **3.1 Effective in 2021 that are Relevant to the IBC-13**

Below is a list of IPSASs issued as at December 31, 2021 that are adopted for the first time by the IBC-13 in preparing the financial statements for the year ended December 31, 2021, the comparative information presented in these financial statements for the year ended December 31, 2020 and in the preparation of an opening IPSAS statement of financial position at January 1, 2020 (the IBC-13's date of transition).

- IPSAS 1, *Presentation of Financial Statements* (effective for periods beginning January 1, 2014)

This Standard sets overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.

Application of this IPSAS has effect on the presentation of current and non-current assets and current and non-current liabilities, as separate classification on the face of statement of financial position.

- IPSAS 2, *Cash Flows Statements* (effective for periods beginning January 1, 2014)

This Standard requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing, and financing activities.

There is no material difference in recognition and measurement with the previous standard upon application of this IPSAS.

- IPSAS 3, *Accounting Policies, Changes in Accounting Estimate and Errors* (effective for periods beginning January 1, 2014)

This Standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and corrections of errors.

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for Property, Plant and Equipment (PPE) was applied. Tangible items below the capitalization threshold of P15,000 were accounted as expense accounts (if issued within the year), or accumulated surplus/(deficit) (if issued in prior years). A total of P71,776.77 were reclassified as semi-expendable property as at January 1, 2020 and booked as an expense upon issuance during CY 2020.

- IPSAS 4, *The Effects of Changes in Foreign Exchange Rates* (effective for periods beginning January 1, 2014)

This Standard prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into presentation currency.

Assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position. All resulting exchange differences shall be recognized as a separate component of net assets/equity.

There is no material difference in recognition and measurement with the previous standard upon application of this IPSAS.

- IPSAS 9, *Revenue from Exchange Transactions* (effective for periods beginning January 1, 2014)

This Standard prescribes the standards for identification, measurement and disclosure of revenues of public sector entities derived from exchange transactions. An exchange is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange. These transactions are rendering of services, sale of goods and use by other entity assets yielding interest, royalties, and dividends.

There is no material difference in recognition and measurement with the previous standard upon application of this IPSAS.

- IPSAS 12, *Inventories* (effective for periods beginning January 1, 2014)

This Standard sets out the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

There is no material difference in recognition and measurement with the previous standard upon application of this IPSAS.

- IPSAS 13, *Leases* (effective for periods beginning January 1, 2014)

This Standard prescribes, for lessees and lessor, the appropriate policies and disclosures to apply in relation to finance and operating leases. It also prescribes specific identifications of transactions which are considered as lease agreement and those which are not. Also, it presents the two specific classifications of lease agreements and how they are presented in the financial statements.

There is no material difference in recognition and measurement with the previous standard upon application of this IPSAS.

- IPSAS 14, *Events After the Reporting Date* (effective for periods beginning January 1, 2014)

This Standard prescribes the circumstances in which adjustments for events after the reporting period are required. It also prescribes the disclosure requirements regarding the date of authorization for issue and information received after the reporting period.

It requires that an entity should not prepare its financial statements on going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.

Upon assessment, IBC-13 has no relevant event, which needs necessary adjustments and/or disclosure that occurred after the reporting date but before the issuance of this report.

- IPSAS 17, *Property, Plant and Equipment* (effective for periods beginning January 1, 2014)

This Standard prescribes the standards on the recognition, measurement at recognition, measurement after recognition, depreciation, impairment, derecognition and disclosure requirements dealing with transactions and events affecting PPE of the Philippine public sector. The principal issues in accounting

for PPE are: (a) the recognition of the assets; (b) the determination of their carrying amounts; and (c) the depreciation charges and impairment losses to be recognized in relation to them.

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P15,000 were accounted as semi-expendable property (if not yet issued to end-users), as expense accounts (if issued within the year), or accumulated surplus/(deficit) (if issued in prior years). A total of P71,776.77 were reclassified as semi-expendable property as at January 1, 2020 and booked as an expense upon issuance during CY 2020.

- IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* (effective for periods beginning January 1, 2014)

This Standard defines provisions, contingent liabilities and contingent assets, and identifies the circumstances in which provisions should be recognized, how they should be measured, and the disclosures that should be made about them. It also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing and amount.

Upon assessment, IBC-13 has no transaction that transpired during the year in which provision, contingent liability or contingent asset should be recognized or disclosed.

- IPSAS 20, *Related Party Disclosures* (effective for periods beginning January 1, 2014)

This Standard sets out the requirement of the disclosure of the existence of related party relationships where control exists, and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes, and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are (a) identifying which parties control or significantly influence the reporting entity, and (b) determining what information should be disclosed about transactions with those parties.

The IBC-13 has provided additional disclosures on key management personnel and key management personnel compensation as required by this Standard.

- IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* (effective for periods beginning January 1, 2014)

This Standard prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. This Standard deals with issues that need to be considered in recognizing and measuring revenue from non-exchange transactions, including the identification of contributions from owners.



There is no material difference in recognition and measurement with the previous standard upon application of this IPSAS.

- IPSAS 24, *Presentation of Budget Information in Financial Statements* (effective for periods beginning January 1, 2014)

This Standard prescribes a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.

The Statement of Comparison of Budget and Actual Amounts (SCBAA) and the disclosure of an explanation of the reasons for material differences between the budget and actual amounts were prepared in accordance with this Standard.

- IPSAS 28, *Financial Instruments: Presentation* (effective for periods beginning January 1, 2014)

This Standard establishes principles for presenting financial instruments as liabilities or net assets/equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends or similar distribution, losses and gains; and circumstances in which financial assets and financial liabilities should be offset.

This Standard complements the principles for recognizing and measuring financial assets and financial liabilities in IPSAS 29, "Financial Instruments: Recognition and Measurement", and for disclosing information about them in IPSAS 30, "Financial Instruments: Disclosures".

- IPSAS 29, *Financial Instruments: Recognition and Measurements* (effective for periods beginning January 1, 2014)

This Standard prescribes the accounting principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It complements the principles for presenting information about financial instruments in IPSAS 28 "Financial Instruments: Presentation" and for disclosing information about them in IPSAS 30, "Financial Instruments: Disclosures."

The IBC-13's financial instruments were recognized, measured and classified in accordance with IPSAS 29.

- IPSAS 30, *Financial Instruments: Disclosures* (effective for periods beginning January 1, 2014)

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for entity's financial position and financial performance; and (b) the nature and

extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The principles in this Standard complement the principles for presenting and recognizing and measuring financial assets and financial liabilities in IPSAS 28, "*Financial Instruments: Presentation*" and IPSAS 29, "*Financial Instruments: Recognition and Measurement*".

- IPSAS 33, *First-time Adoption of Accrual Basis IPSASs* (effective for periods beginning January 1, 2017)

This Standard provides guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis IPSASs, in order to present high quality information:

- (a) That provides transparent reporting about a first-time adopter's transition to accrual basis IPSASs;
- (b) That provides a suitable starting point for accounting in accordance with accrual basis IPSASs irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and
- (c) Where the benefits are expected to exceed the costs.

The IBC-13 did not adopt any of the transitional exemptions in IPSAS 33 that may impact fair presentation of the financial statements.

### **3.2 Effective in 2021 that are Not Relevant to the Company**

The following Standards are mandatorily effective for annual periods beginning January 1, 2021 but are not relevant to the IBC-13's financial statements:

- IPSAS 5: Borrowing Costs
- IPSAS 6: Consolidated and Separate Financial Statements
- IPSAS 8: Interest in Joint Ventures
- IPSAS 16: Investment Property
- IPSAS 21: Impairment of Non-Cash-Generating Assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangements: Grantor
- IPSAS 34: Separate Financial Statements
- IPSAS 35: Consolidated Financial Statements
- IPSAS 36: Investments in Associates and Joint Ventures
- IPSAS 37: Joint Ventures
- IPSAS 38: Disclosure of Interests in Other Entities

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 *Basis of Accounting***

The IBC-13's financial statements are prepared on an accrual basis in accordance with the IPSASs.

### **4.2 *Financial Instruments***

#### **a. Financial assets**

##### **i. Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The IBC-13 determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the IBC-13 commits to purchase or sell the asset.

The IBC-13's financial assets include: cash and cash equivalents, loans and other receivables.

##### **ii. Subsequent measurement**

The subsequent measurement of financial assets depends on their classification.

###### **1. Financial assets at fair value through surplus or deficit**

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

###### **2. Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### **iii. Derecognition**

The IBC-13 derecognizes a financial asset or where applicable, a part of a financial asset or part of IBC-13 of similar financial assets when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and
2. The IBC-13 has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 *Financial Instruments: Recognition and Measurement*; and either the entity has:
  - Transferred substantially all the risks and rewards of ownership of the financial asset; or
  - Neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset.

### **iv. Impairment of financial assets**

The IBC-13 assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty
2. Default or delinquency in interest or principal payments
3. The probability that debtors will enter bankruptcy or other financial reorganization
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

### **v. Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the IBC-13 first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually

significant. If the IBC-13 determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to IBC-13. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. The request for write-off of accounts is based on the guidelines prescribed in COA Circular No. 2016-005 dated December 19, 2016. If a future write-off is later recovered, the recovery is credited in surplus and deficit.

**b. Financial liabilities**

**i. Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The IBC-13's financial liabilities include payables to supplier, employees and other contractors, inter-agency payables, and trust liabilities.

**ii. Subsequent measurement**

The measurement of financial liabilities depends on their classification.

## 1. Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IPSAS 29.

## 2. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

### c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

### **4.3 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

### **4.4 Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory are received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the IBC-13.

### **4.5 Property, Plant and Equipment**

#### **a. Recognition**

An item is recognized as Property, Plant and Equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- i. Tangible items;
- ii. Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. Are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. It is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. The cost or fair value of the item can be measured reliably; and
- iii. The cost is at least P15,000.

**b. Measurement at recognition**

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

- i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. Expenditure that is directly attributable to the acquisition of the items; and
- iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

**c. Measurement after recognition**

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the IBC-13 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

**d. Depreciation**

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

- i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.



ii. Depreciation method

The straight line method of depreciation is adopted unless another method is more appropriate for IBC-13's operation.

iii. Estimated useful life

The IBC-13 uses the schedule on the estimated useful life of PPE by classification prepared by the COA in determining the specific estimated useful life for each asset based on its experience.

iv. Residual value

The IBC-13 uses a residual value equivalent to at least five per cent of the cost of the PPE.

**e. Impairment**

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

**f. Derecognition**

The IBC-13 derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

**4.6 Intangible Assets**

**a. Recognition and measurement**

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payments for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in IPSAS 5, *Borrowing Costs*.

**b. Subsequent expenditure on an acquired in-process research and development project**

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is:

- i. Recognized as an expense when incurred if it is research expenditure;
- ii. Recognized as an expense when incurred if it is a development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
- iii. Added to the carrying amount of the acquired in-process research or development project if it is a development expenditure that satisfies the recognition criteria for intangible assets.

**c. Intangible assets acquired through non-exchange transactions**

The costs of intangible assets acquired in a non-exchange transaction are their fair value at the date these are acquired.

**d. Internally generated intangible assets**

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

**e. Recognition of an expense**

Expenditure on an intangible item is recognized as expense when it is incurred unless it forms part of the cost of an intangible asset that meet the recognition criteria of an intangible asset.

**f. Subsequent measurement**

The useful life of the intangible asset is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful life is not to be amortized.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

#### **4.7 *Changes in Accounting Policies and Estimates***

The IBC-13 recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The IBC-13 recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The IBC-13 corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

#### **4.8 *Foreign Currency Transactions***

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

- a. Foreign currency monetary items are translated using the closing rate;
- b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

## **4.9 Revenue from Non-exchange Transactions**

### **a. Recognition and measurement of assets from non-exchange transactions**

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

### **b. Recognition of revenue from non-exchange transactions**

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As IBC-13 satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

### **c. Measurement of revenue from non-exchange transactions**

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

### **d. Measurement of liabilities on initial recognition from non-exchange transactions**

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

### **e. Gifts and donations**

The IBC-13 recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

**f. Transfers**

The IBC-13 recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

**g. Services in-kind**

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

**h. Transfers from other government entities**

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the IBC-13 and can be measured reliably.

**4.10 Revenue from Exchange Transactions**

**a. Measurement of revenue**

Revenue is measured at the fair value of the consideration received or receivable.

**b. Rendering of services**

The IBC-13 recognizes revenue from Programs and Commercial Spots aired and billed to the clients. Sales Revenue is taken up net of the 15 per cent agency commission for Agency Accounts.

Production of In House Programs is stated at cost which includes supplies and materials, talents, fees and other overhead expenses. These production expenses are reflected under Maintenance and Other Operating Expenses.

**c. Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

#### **d. Rental income**

Rental income arising from operating leases on IBC-13's property is accounted for and is included in revenue.

#### **4.11 Budget Information**

The IBC-13 has no approved Corporate Operating Budget (COB) for the CYs 2017 and 2018, and re-enacted the CY 2016 approved COB due to non-submission of the proposed COB to the Department of Budget and Management (DBM) for review and evaluation.

A separate SCBAA is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

#### **4.12 Related Parties**

The IBC-13 regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the IBC-13, or vice versa. Members of key management are regarded as related parties.

#### **4.13 Employee Benefits**

The employees of IBC-13 are members of the Social Security System (SSS), which provides life and retirement insurance coverage.

The IBC-13 recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

#### **4.14 Measurement Uncertainty**

The preparation of financial statements in conformity with IPSASs requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, impairment of assets, etc.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

## 5. PRIOR PERIOD ADJUSTMENTS

### 5.1 Due to Change in Accounting Policy

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. A total of P71,776.77 were reclassified as semi-expendable property as at January 1, 2020 and booked as an expense upon issuance during CY 2020. All PPE accounts and their corresponding accumulated depreciation were affected by the change except for Land and Other Land Improvements, Office Buildings and Transportation Equipment accounts which do not have item below the capitalization threshold.

### 5.2 Due to Prior Period Errors

Prior period errors include over-set up of receivables, recognition of income from unutilized fund of certain projects, over/under setup of payables due to variance in actual payment of expenses and other correction of errors in the financial statements that were reported as prior period adjustments.

## 6. EXPLANATION OF TRANSITION TO IPSASs

As stated in Note 2, these are the IBC-13's first financial statements prepared in accordance with IPSASs.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended December 31, 2021, the comparative information presented in these financial statements for the year ended December 31, 2020 and in the preparation of an opening IPSASs statement of financial position at January 1, 2020 (IBC-13's date of transition).

In preparing its opening statement of financial position, the IBC-13 has adjusted amounts reported previously in financial statements prepared in accordance with previous Generally Accepted Accounting Principles (GAAP). An explanation of how the transition from previous GAAP to IPSASs has affected the IBC-13's financial position, financial performance and cash flows is set out in the following tables:

### Reconciliation of Net Assets/Equity

At January 1, 2020

	Previously generally accepted accounting principles	Effect of transition to IPSASs		IPSASs	
		Reclassification	Difference in recognition and measurement		
<b>ASSETS</b>					<b>ASSETS</b>
Current assets					Current assets
Cash and cash equivalents	25,298,212	-	-	25,298,212	Cash and cash equivalents
Accounts receivable-trade (net)	55,139,895	-	-	-	

	Previously generally accepted accounting principles	Effect of transition to IPSASs		IPSASs	
		Reclassification	Difference in recognition and measurement		
Receivable/advances-others	85,385,173	(78,644,667)	(6,404,503)	55,475,898	Receivables-net
	-	173,455	-		
	-	229,835	-	403,290	Inventories
Other current assets	229,835	(229,835)	4,489,493		
	-	-	16,607,889		
	-	-	15,224,115	36,321,497	Other current assets
<b>Total current assets</b>	<b>166,053,115</b>	<b>(78,471,212)</b>	<b>29,916,994</b>	<b>117,498,897</b>	<b>Total current assets</b>
<b>Non-current assets</b>					<b>Non-current assets</b>
	-	78,644,667	1,915,010	80,559,677	Receivables-net
Investment in joint venture	34,010,100	-	-	34,010,100	Investments
Property and equipment-net	82,998,623	(173,455)	-	82,825,168	Property, plant and equipment- net
Other non-current assets	20,693,677	-	(15,224,115)	5,469,562	Other non-current assets
<b>Total non-current assets</b>	<b>137,702,400</b>	<b>78,471,212</b>	<b>(13,309,105)</b>	<b>202,864,507</b>	<b>Total non-current assets</b>
<b>TOTAL ASSETS</b>	<b>303,755,515</b>	<b>-</b>	<b>16,607,889</b>	<b>320,363,404</b>	<b>TOTAL ASSETS</b>
<b>LIABILITIES</b>					<b>LIABILITIES</b>
<b>Current liabilities</b>					<b>Current liabilities</b>
Accounts payable	75,394,769	(2,065,134)	-	-	
	-	81,328,994	-	154,658,629	Financial liabilities
Accrued expense	159,540,624	(155,883,548)	(3,657,076)	-	
Payroll deductions and taxes payable	287,970,590	(304,578,480)	16,607,889	-	
	-	141,667,627	-	141,667,626	Inter-agency payables
Interest payable	55,556,531	-	(55,556,531)	-	
Deferred output tax	6,711,173	(6,711,173)	-	-	
Unearned income	4,975,297	(4,975,297)	-	-	Deferred credits
	-	162,910,853	-	162,910,853	Deferred credits/unearned revenue
Contingent liability	203,286,634	-	(203,286,634)	-	
	-	2,065,134	-	2,065,134	Other payables
<b>Total current liabilities</b>	<b>793,435,618</b>	<b>(86,241,024)</b>	<b>(245,892,352)</b>	<b>461,302,242</b>	<b>Total current liabilities</b>
<b>Non-current liabilities</b>					<b>Non-current liabilities</b>
Loans payable	75,000,000	-	3,657,076	-	
	-	-	55,556,531	134,213,607	Financial liabilities
	-	11,686,470	-	11,686,470	Deferred credits/unearned revenue
Retirement/separation pay	716,703,808	-	-	716,703,808	Provisions
	-	74,554,554	-	74,554,554	Other payables
<b>Total non-current liabilities</b>	<b>791,703,808</b>	<b>86,241,024</b>	<b>59,213,607</b>	<b>937,158,439</b>	<b>Total non-current</b>



	Previously generally accepted accounting principles	Effect of transition to IPSASs			liabilities
		Reclassification	Difference in recognition and measurement	IPSASs	
<b>TOTAL LIABILITIES</b>	1,585,139,426	-	(186,678,745)	1,398,460,681	<b>TOTAL LIABILITIES</b>
<b>NET ASSETS/EQUITY</b>					<b>NET ASSETS/EQUITY</b>
Subscribed capital stock	500,000	-	-	500,000	Subscribed capital stock
Revaluation increment	422,185,773	-	-	422,185,773	Revaluation surplus
Retained earnings	(1,704,069,684)	-	(112,968,528)	-	
	-	-	203,286,634	(1,613,751,578)	Retained earnings
	-	-	112,968,528	112,968,528	Accumulated surplus/(deficit)
<b>Total net assets/equity</b>	<b>(1,281,383,911)</b>	<b>-</b>	<b>203,286,634</b>	<b>(1,078,097,277)</b>	<b>TOTAL NET ASSETS/EQUITY</b>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>	<b>303,755,515</b>	<b>-</b>	<b>16,607,889</b>	<b>320,363,404</b>	<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>

### Reconciliation of Surplus/(Deficit)

For the year ended December 31, 2019 (Opening Balances as at January 1, 2020)

	Previous generally accepted accounting principles	Effect of transition to IPSASs			
		Reclassification	Difference in recognition and measurement	IPSASs	
<b>REVENUE</b>					<b>REVENUE</b>
Gross sales	51,468,379	-	-	-	
Sales discount	(1,534,500)	-	-	49,933,879	Service and business income
	-	-	1,584,940	1,584,940	Rent/lease income
	49,933,879	-	1,584,940	51,518,819	<b>TOTAL REVENUE</b>
Less:					
<b>EXPENDITURES</b>					<b>CURRENT OPERATING EXPENSES</b>
	-	-	143,319,589	-	
	-	-	1,570,057	144,889,646	Personnel services
Talent fees	3,745,592	-	(3,745,592)	-	
Cost of production materials	2,521,987	-	(2,521,987)	-	
	-	-	6,267,579	-	
	-	-	18,735,666	25,003,245	Maintenance and other operating expenses
Administrative expenses	143,319,589	-	(143,319,589)	-	
Operating expenses	24,025,446	-	(24,025,446)	-	
	-	-	183,266	183,266	Financial expenses
	-	-	3,689,098	3,689,098	Non-cash expenses
<b>TOTAL CURRENT OPERATING EXPENSES</b>	<b>173,612,614</b>	<b>-</b>	<b>152,641</b>	<b>173,765,255</b>	<b>TOTAL CURRENT OPERATING EXPENSES</b>
Surplus (deficit) from current operations	(123,678,735)	-	1,432,299	(122,246,436)	<b>DEFICIT FROM CURRENT OPERATIONS</b>

	Previously generally accepted accounting principles	Effect of transition to IPSASs		IPSASs	
		Reclassification	Difference in recognition and measurement		
<b>OTHER INCOME AND EXPENSES</b>					<b>OTHER INCOME</b>
Other Income and expenses	21,927,633	-	(1,584,940)	-	
	-	-	(20,127,833)	-	
	-	-	152,640	-	
	-	-	-	367,500	Other non-operating income
<b>TOTAL OTHER INCOME</b>	<b>21,927,633</b>	<b>-</b>	<b>(21,560,133)</b>	<b>367,500</b>	<b>TOTAL OTHER NON-OPERATING INCOME</b>
	<b>(101,751,102)</b>	<b>-</b>	<b>(20,127,834)</b>	<b>(121,878,936)</b>	
					<b>ASSISTANCE/SUBSIDY</b>
Subsidy from national government	-	-	20,127,834	20,127,834	Subsidy from national government
<b>Net Income</b>	<b>(101,751,102)</b>	<b>-</b>	<b>-</b>	<b>(101,751,102)</b>	<b>NET SURPLUS FOR THE PERIOD</b>

## 7. RISK MANAGEMENT OBJECTIVES AND POLICIES

The IBC-13 is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest/Market risks
- Operational risk

This note presents information about the IBC-13's exposure to each of the above risks, the IBC-13 objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

### 7.1 Risk Management Framework

The Management Committee of the IBC-13 has overall responsibility for the establishment and oversight of IBC-13's risk management framework. The committee has established IBC-13's assets, liabilities, credit and operational risk committees, which are responsible for developing and monitoring IBC-13's risk management policies in their specific areas.

All management committees have executive and non-executive Members and report regularly to the Executive Director of the IBC-13 on their activities.

The IBC-13's risk management policies are established to identify and analyse the risks faced by the IBC-13, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions, products and services offered. The IBC-13, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The IBC-13's audit committee is responsible for ensuring the hospital's assets are properly safeguarded; shall assess the reliability and integrity of financial information, deter and investigate fraud, verify compliance with established policies, laws and regulations; and recommend improvements relating to efficiency, economy and effectiveness in the use of the IBC-13's assets.

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities as shown in the statements of financial position, as summarized below.

	Note	2021	2020 (As Restated)
<b>Financial assets</b>			
Cash and cash equivalents	8	175,757,394	9,854,058
Receivables	9	117,606,795	41,537,683
		<b>293,364,189</b>	<b>51,391,741</b>
<b>Financial liabilities</b>			
Financial liabilities	13	85,951,147	336,865,574
Inter-agency payables	14	2,136,934	48,115,002
		<b>88,088,081</b>	<b>384,980,576</b>

## 7.2 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the IBC-13. The IBC-13 has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The IBC-13 defines counterparties as having similar characteristics if they are related entities.

On-going credit evaluation is performed on the financial condition of loans and other receivable and, where appropriate, obtaining additional collateral is requested to cover the loans.

Also, the IBC-13 manages its credit risk by depositing its cash with Land Bank of the Philippines (LBP), an authorized government depository bank.

The carrying amount of financial assets recognized in the financial statements represents the IBC-13's maximum exposure to credit risk.

### a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the IBC-13 as of the years ended December 31, 2021 and 2020, without considering the effects of credit risk mitigation techniques.

	Note	2021	2020 (As Restated)
<b>Financial assets</b>			
Cash and cash equivalents	8	175,757,394	9,854,058
Receivables*	9	424,662,042	348,173,636
		<b>600,419,436</b>	<b>358,027,694</b>

\*Receivables at gross of allowance for impairment amounting to P307,055,247 and P306,635,954 for the years ended December 31, 2021 and 2020, respectively.

#### **b. Management of credit risk**

The management of credit risk is covered by the Management Committee. The Finance Division of the agency are in charge of controlling, monitoring and collecting payments of all its receivables due from employees, tenants and clientele. Receivables from employees consist of overpayment of salaries due to leave without pay, excess usage of airtime charges over the set limit, personal calls, etc. and are collected thru payroll deductions. Status of outstanding receivables is summarized quarterly in a schedule and is submitted together with the financial reports to the COA. Should there be no payments received, the Finance Division follows up either thru phone call or write demand letters for collection until settled. Other concerns or issues, if any, are referred to the Office of the Government Corporate Counsel for appropriate action.

#### **c. Aging analysis**

An aging analysis of the IBC-13's receivables as of the years ended December 31, 2021 and 2020 are as follows:

	2021	2020 (As Restated)
<b>Outstanding receivables:*</b>		
Current accounts	49,122,562	(1,045,398)
<b>Past due accounts:</b>		
1 – 30 days past due	382,500	414,375
31 – 60 days past due	325,446	433,035
61 – 90 days past due	(14,343,527)	(50,359,261)
over 90 days past due	59,341,140	64,278,968
	<b>94,828,121</b>	<b>13,721,719</b>

#### **d. Impairment assessment**

The IBC-13 recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the IBC-13 in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment. Under specific/individual assessment, the IBC-13 assesses each individual significant credit

exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by the IBC-13 when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment.

The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment.

Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

### **7.3 *Liquidity Risk***

Liquidity risk is the risk that the IBC-13 might encounter difficulty in meeting obligations from its financial liabilities.

#### **a. *Management of liquidity risk***

The IBC-13's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the IBC-13's reputation.

The IBC-13 maintains a portfolio of short-term liquid assets, largely made up of cash in banks to ensure that sufficient liquidity is maintained within the IBC-13 as a whole.

#### **b. *Exposure to liquidity risk***

The liquidity risk is the adverse situation when the IBC-13 encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of IBC-13.

The liquidity management policy of the IBC-13 is conservative in maintaining optimal liquid cash funds to ensure capability to adequately finance its mandated activities and

other operational requirements at all times. The IBC-13's funding requirements are generally met through any or a combination of financial modes allowed by law that would give the most advantageous results.

The table below summarizes the maturity profile of the IBC-13's financial liabilities as at December 31, 2021.

<b>As at December 31, 2021</b>	<b>Within 1 Year</b>	<b>1 – 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Financial liabilities	35,426,046	50,525,101	-	85,951,147
Inter-agency payables	2,136,934	-	-	2,136,934
	<b>37,562,980</b>	<b>50,525,101</b>	<b>-</b>	<b>88,088,081</b>

#### **7.4 Market Risks**

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the IBC-13's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

##### **Management of market risk**

The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of the IBC-13's financial assets and liabilities to various standard and non-standard interest rate scenarios.

#### **7.5 Operational Risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the IBC-13's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the IBC-13's operations and are faced by all business entities.

The IBC-13's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the IBC-13's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to Senior Management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorization of transaction
- Requirement for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures

- Requirements for the periodic assessment of operational risk faced, and the adequacy of control and procedures to address the risk identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

## 8. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021	2020 (As Restated)
Cash on hand	19,235,977	586,728
	19,235,977	586,728
Cash in bank		
Local currency	156,496,385	9,243,292
Local Savings	25,032	24,038
	156,521,417	9,267,330
	<b>175,757,394</b>	<b>9,854,058</b>

### 8.1 Cash on Hand

Cash Collecting Officer account balance represents collections during the last working day of the year after banking hours and Petty Cash Fund balance of the Network's Disbursing Officer. This was immediately deposited to the peso account of IBC-13 LBP – LWUA Branch, LWUA Building, MWSS Complex, Katipunan Avenue, Balara Quezon City on the first working day of January 2021.

The safety Deposit Box consist of foreign currency of US\$2,500 and P500 which is dormant account from Bank of Commerce.

### 8.2 Cash in Bank

	2021	2020 (As Restated)
Current account-local currency-LB	156,496,385	9,243,292
Current account-local currency-LB	24,038	24,038
Savings account-local currency-DBP	994	
	<b>156,521,417</b>	<b>9,267,330</b>

The current account (local currency) for personnel services, maintenance and other operating expenses, and financial expenses – P156.521 million. This is non-interest bearing depository account in LBP – LWUA Branch.

## 9. RECEIVABLES

This account consists of the following:

	2021			2020 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Accounts receivable, net	94,828,121	-	94,828,121	13,721,719	-	13,721,719
Other receivables	-	22,778,674	22,778,674	-	27,815,964	27,815,964
	<b>94,828,121</b>	<b>22,778,674</b>	<b>117,606,795</b>	<b>13,721,719</b>	<b>27,815,964</b>	<b>41,537,683</b>

### 9.1 Accounts Receivable

	2021			2020 (As Restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Receivables	401,883,368	-	401,883,368	320,357,673	-	320,357,673
Allowance for impairment – accounts receivable	(307,055,247)	-	(307,055,247)	(306,635,954)	-	(306,635,954)
	<b>94,828,121</b>	<b>-</b>	<b>94,828,121</b>	<b>13,721,719</b>	<b>-</b>	<b>13,721,719</b>

In-House Accounts pertain to transactions incurred after the Sales and Marketing operations were returned to the Corporation as a result of the compromise agreement in Calendar Year (CY) 1990 as discussed in Note 1, Paragraph 2, General Information. On the other hand, the Island Accounts pertains to account accumulated with former marketing agent, Islands Broadcasting Corporation.

The reported P401,883,368 gross balance of Accounts Receivable (A/R) – Trade as of December 31, 2021 includes the dormant account balances totalling P307,055,247.

As regards to A/R Others-Radio Philippines Network (RPN) account, last November 7, 1997, IBC-13 and RPN entered into an Interim Agreement to govern their lessor-lessee relationship. As of January 14, 2014, RPN has acknowledged the outstanding balance amounting to P43.6 million. However there is an ongoing negotiation to reduce said amount by virtue of offsetting of equipment turned over to IBC-13.

Due from Officers and Employees consists of receivable of the Agency from cash advances and prior years; overpayment of the Agency to the employees, cash shortages, loss of assets and other bills under accountability of employees of the Agency.

Aside from the trade receivable and other items due to received or paid, the A/R Others represents sickness and maternity benefit claims of employees which were advanced by the IBC-13 to be reimbursed by the SSS.

### 9.2 Other Receivables

	2021			2020 (As Restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Other - Receivables	-	22,778,674	22,778,674	-	27,815,964	27,815,964
	<b>-</b>	<b>22,778,674</b>	<b>22,778,674</b>	<b>-</b>	<b>27,815,964</b>	<b>27,815,964</b>



## 10. INVENTORIES

This account is composed of the following:

	2021	2020 (As Restated)
	Inventories carried at lower of cost and net realizable value	Inventories carried at lower of cost and net realizable value
<b>Office Supplies/Inventory</b>		
Carrying amount, January 1	283,472	310,606
Additions/Acquisitions during the year	-	-
Expensed during the year except write-down	-	-
Other adjustments	-	-
<b>Carrying amount, December 31</b>	<b>283,472</b>	<b>310,606</b>

Regular purchases of office and production supplies are recorded directly as expense.

Other Supplies and Materials inventory pertains to gift cheque/vouchers, received from prior years in exchange of non-cash transactions. Book balances are still subject for reconciliation.

## 11. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

	Land and land improvements	Building and other structures, Leased Assets, Buildings and other Structures	Communication Equipment, Furniture and Fixture, Office Equipment, Motor Vehicles and other PPE	Total
<b>As at December 31, 2020</b>				
Cost,	634,096,758	66,319,197	294,933,541	995,349,496
Accumulated depreciation	(3,676,239)	(36,571,937)	(283,864,306)	(324,112,482)
<b>Net book value, December 31, 2020, as restated</b>	<b>630,420,519</b>	<b>29,747,260</b>	<b>11,069,235</b>	<b>671,237,014</b>
<b>Opening net book value, January 1, 2021</b>	<b>634,096,758</b>	<b>66,319,197</b>	<b>294,933,541</b>	<b>995,349,496</b>
Additions/Acquisitions Cost	-	5,265,636	36,494,038	41,759,674
Accumulated depreciation	(3,676,239)	(36,571,937)	(283,864,306)	(324,112,482)
Adjustments from disposal of unserviceable items	58,086	(8)	(8,745,494)	(8,687,416)
Depreciation for the year		(2,711,696)	(1,350,553)	(4,062,249)
<b>Closing net book value, December 31, 2021</b>	<b>630,478,605</b>	<b>32,301,192</b>	<b>37,467,226</b>	<b>700,247,023</b>
<b>As at December 31, 2021</b>				
Cost	634,096,758	71,584,833	331,427,579	1,037,109,170
Accumulated depreciation	(3,618,153)	(39,283,641)	(293,960,353)	(336,862,147)
<b>Net book value, December 31, 2021</b>	<b>630,478,605</b>	<b>32,301,192</b>	<b>37,467,226</b>	<b>700,247,023</b>

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15<sup>th</sup> of the month. However, if the PPE is available is use after the 15<sup>th</sup> of the month, depreciation is for succeeding month.

At each reporting date, the IBC-13 assesses whether there is indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the IBC-13 estimates the asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

The IBC-13 assesses at each reporting date whether there is an indication that a non-cash generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the IBC-13 estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and its value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the IBC-13 and can be measured reliably.

## 12. OTHER ASSETS

This comprises the following accounts:

	2021			2020 (As Restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	794,772	-	794,772	653,333	-	653,333
Other assets	43,804,723	5,489,561	49,294,287	38,703,788	5,489,561	44,193,349
	<b>44,599,495</b>	<b>5,489,561</b>	<b>50,089,056</b>	<b>39,357,121</b>	<b>5,489,561</b>	<b>44,846,682</b>

### 12.1 Advances

Advances of P794,772 represents advances granted to officers and employees for payment of operating expense (advances for operating expenses); for special purpose/time-bound (advances to special disbursing officer); for official travel (advances to officers and employees).

As a tax withholding agents of the Bureau of Internal Revenue (BIR), IBC-13's client withhold a certain percentage of output tax due to them, upon payment of their accounts for actual airtime availments. The amounts withheld are supported with BIR Form No. 3207, Certificate of Creditable Tax Withheld at Source, issued by the withholding agents. The amounts of output tax withheld by clients are recorded in the books under the Output Tax Withheld account and deducted from the Output Tax upon remittance to the BIR.

The Withholding Tax at Source of P15,230,674 represents the taxes withheld by clients/suppliers on their payments to the Network with creditable tax certificate to be used as deduction from the IBC-13's remittance of VAT.

	2021	2020 (As Restated)
Advances for operating expenses	2,384	2,384
Advances to special disbursing officer	792,388	650,949
	<b>794,772</b>	<b>653,333</b>

## 12.2 Investment on Joint Venture

IBC-13 received the amount of P34,010,000 last February 28, 2019. IBC-13 acknowledged the receipt and satisfaction in full of any and all rights and receivables under Joint Venture by signing the final receipt issued by RII Builders.

To be adjusted as agreed with RII Builders representative in the amount of P8,768,100 and any repairs made by IBC-13 is in the form of donation.

## 13. FINANCIAL LIABILITIES

This is composed of the following:

	2021			2020 (As Restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts payable	50,525,101	-	50,525,101	107,287,041	-	107,287,041
Accounts payable - others	-	-	-	95,364,926	134,213,607	229,578,533
Due from officers & employees	35,426,046	-	35,426,046	-	-	-
	<b>85,951,147</b>	<b>-</b>	<b>85,951,147</b>	<b>202,651,967</b>	<b>134,213,607</b>	<b>336,865,574</b>

This account represents unpaid obligations of IBC-13 to various employees and also unpaid obligations for delivered goods and services rendered by employees and suppliers.

Commission Pay Payable amounting to P2,109,543 refers to amount due to account executives and sales associates/agents based on billings to customer which are paid upon collection of related receivables. The IBC-13's commission scheme policy effective September 1, 2011 all government accounts, whether handled by advertising agency or not shall be considered regular agency account instead of direct accounts. Thus, subsequently, sales commission to be paid for shall be five per cent which goes to the account executives and one per cent which goes to Sales Director.

Due from Officers and employees amounting to P35,426,046 represent unpaid obligation to various retired employees of IBC-13.

#### 14. INTER-AGENCY PAYABLES

This account consists of the following:

	2021	2020 (As Restated)
Due to BIR	-	46,146,404
Due to SSS	210,649	2,074,995
Due to PhilHealth	(86,271)	(71,060)
Due to Pag-IBIG	(81,175)	(48,417)
Due to SSS salary loan	2,013,644	1,893,428
Due to Pagibig Multi Purpose Loans	80,087	13,080
Income tax payable	-	-
	<b>2,136,934</b>	<b>48,115,002</b>

IBC 13 was able to update all obligations to BIR thru application of Tax Amnesty for the delinquent year qualified for amnesty. Thus other delinquent years was thru tax subsidy with pending application on abatement.

Despite diligent effort exerted to the account for the negative balance of PhilHealth payable and Pag-IBIG fund payable for the year ended December 31, 2021, Payroll Section cannot adjust or reconcile the said balance since the documents can no longer be retrieved since those were included in the documents damaged by typhoon Ondoy.

#### 15. LOANS PAYABLE

In CY 2004, the Network entered into a Memorandum of Agreement (MOA) with Jemah Television, Inc. to enter into a co-production arrangement for entertainment and special programs to be provided by Jemah for telecast in IBC-13's airtime slots, in accordance with mutually agreed booking schedule and airtime rate. Pursuant to the MOA, Jemah advanced up to P20 million to IBC-13 in CYs 2004 and 2005. Subsequently, disagreements with Jemah ensued over certain provisions of the MOA, leading to its filing of complaint against IBC-13 with Regional Trial Court, Makati on December 22, 2005.

On October 16, 2006, the IBC-13 Board of Directors gave the then President and CEO of the Network full authority to negotiate, enter and sign a Compromise Agreement with the duly authorized representative of Jemah Television, Inc. Pivotal to the compromise settlement, the Board agreed and approved the following conditions among others to wit:

- i. Secure business loan with the Bank of Commerce (BoC) in the amount of P75 million;
- ii. Upon release of such loan, IBC-13 is to pay Jemah Television, Inc. the amount of P25 million representing payment of the P20 million loan principal/advances from the said co-production client with the corresponding interest of P5 million;
- iii. Pay Jemah Television, Inc. the amount of P20 million for business losses; and
- iv. Use the Networks available airtime as collateral for the BoC loan.

The business loan of P75 million is covered by a Promissory Note (PN) value dated November 10, 2006 with a maturity date on November 10, 2011. As stated in the PN, interest rate is a 15 per cent for the one year grace period from November 10, 2006 to November 7, 2007 up to November 3, 2011.

This is to be referred to the Board of Directors for Board Resolution.

## 16. DEFERRED CREDITS/UNEARNED INCOME

This account represents unearned income in CY 2020 and comprised of the following:

	2021			2020 (As Restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Deferred output tax	68,611,561	6,711,173	75,322,734	138,055,890	6,711,173	144,767,063
Unearned revenue/income	-	(1,886,370)	(1,886,370)	-	(1,886,370)	(1,886,370)
	68,611,561	4,824,803	73,436,364	138,055,890	4,824,803	142,880,693

Deferred Output tax corresponds to the 12 per cent tax on sales billed as part of the trade receivables. Upon billing, these are recorded as deferred taxes and upon collection of the receivables, this account is debited and the proper liability account or the output tax account is the set up.

Unearned revenue income refers to account in which the client/customers deposited in advance to avail the airtime in spots or blocktime.

## 17. PROVISIONS

IBC-13 Management entered into MOAs with IBC-13 Rank and File Employees Union and IBC-13 Supervisors' Directors Union, which were approved by the Board of Directors in its regular meeting on August 21, 2008. It was stated in the MOAs that IBC-13 admits its obligations and liabilities to the members of the union which comprise 50 per cent of its recorded liabilities as of December 31, 2014.

The amount of Gratuity Payable for the year ended December 31, 2021 amounting to P779,987,021 was intended to all incumbent and retired employees of IBC-13 for their retirement pay.

## 18. OTHER PAYABLES

Other Payable consist of Commission Pay Payable (Please refer to Note 13).

Guaranty/Security Deposits Payable – pertains to retention fees to guarantee performance by the contractor of the terms of contract.

### 18.1 Interest Payable

Refers to the business loan of P75 million. As stated in PN, the interest rate is 15 per cent for one year grace period. As of now the interest rate amounting to P279,345,687

and until now there is no negotiation for possible restructuring of the loan. This is to be referred also to the Board of Directors for Board Resolution.

## 19. SERVICE AND BUSINESS INCOME

This line item consists of the following:

	2021	2020 (As Restated)
Business Income		
Sales revenue	219,671,772	17,989,037
Other business income	854,064	578,817
	<b>220,525,836</b>	<b>18,567,854</b>

### 19.1 Business income

#### 19.1.1 Sales revenue

	2021	2020 (As Restated)
Airtime (Cash)	219,671,772	17,989,037
Airtime (Non Cash)	-	-
	<b>219,671,772</b>	<b>17,989,037</b>

#### 19.1.2 Other business income

Other business income includes income from rent/lease of condominium and space rental.

## 20. PERSONNEL SERVICES

This account is composed of the following:

	2021	2020 (As Restated)
Salaries and wages	52,208,595	54,500,949
Other compensation	19,994,635	14,460,598
Personnel benefit contributions	3,934,121	4,001,308
Other personnel benefits	84,024,332	43,823,424
	<b>160,161,683</b>	<b>116,786,279</b>

### 20.1 Salaries and Wages

	2021	2020 (As Restated)
Salaries and wages-regular	52,208,595	54,500,949
	<b>52,208,595</b>	<b>54,500,949</b>

## 20.2 Other Compensation

	2021	2020 (As Restated)
Longevity pay	3,533,948	4,717,856
Overtime pay	3,456,930	3,786,558
Hazard pay	1,076,250	1,550,000
Representation allowance (RA)	444,490	212,269
Cash gift	105,000	62,083
Transportation allowance (TA)	100,938	197,676
Subsistence allowance	7,480	293,000
Other bonuses and allowances	11,269,599	3,641,156
	<b>19,994,635</b>	<b>14,460,598</b>

## 20.3 Employees Future Benefits

The permanent employees of the IBC-13 contribute to the SSS. The SSS administers the plan, including payment of pension benefits to employees to whom the act applies. Social insurance (life and retirement) benefits are mandatory defined contribution plans fixed at nine per cent of the basic salaries of regular government employees. Total contributions to SSS amounted to P4,839,126 broken down as follows: employees' share – P1,658,948 and employers share – P3,180,178.

The Reserve for Contingency Account disclosed that the account pertains to Retirement Gratuity account reclassified to Reserve for Contingency Account. Details are shown below.

Status of Employment	2021	2020 (As Restated)
Supervisors/Directors	123,053,366	39,570,081
Rank and File	47,219,147	71,619,191
Retirees	341,806,748	-
Officers	106,239,521	-
	<b>618,318,782</b>	<b>111,189,272</b>

The account revealed that the contingent Liability-Reserve for Contingency account amounting to P618,318,782 represent additional 30 days retirement gratuity benefits to IBC-13 officers and employees in case on privatization of the Network. The additional 30 days retirement benefits were based on the following computation.

$$\text{RATE PER DAY} \quad \times \quad \text{30 DAYS IN CASE OF PRIVATIZATION} \quad \times \quad \text{NO. OF YEARS IN SERVICE}$$

## 20.4 Personnel Benefit Contributions

	2021	2020 (As Restated)
Retirement and life insurance premiums	3,162,478	3,004,306
Pag-IBIG contributions	86,782	180,100
PhilHealth contributions	684,862	816,902
	<b>3,934,122</b>	<b>4,001,308</b>

## 20.5 Other Personnel Benefits

	2021	2020 (As Restated)
Other Personnel Benefits – Retirement Gratuity	64,859,916	21,774,797
Medical, Dental and Hospitalization	19,164,416	22,048,627
	<b>84,024,332</b>	<b>43,823,424</b>

## 21. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2021	2020 (As Restated)
Traveling expenses	46,300	12,899
Training expenses	242,679	-
Supplies and materials expenses	1,313,958	1,484,228
Utility expenses	6,435,174	3,951,743
Communication expenses	26,419,198	32,016,745
Professional services	5,477,906	3,165,600
General services	2,707,593	2,942,791
Repairs and maintenance	97,403	2,182,570
Extraordinary & Miscellaneous Expense	1,551,059	-
Taxes, insurance premiums and other fees	2,297,630	10,632,070
Other maintenance and operating expenses	6,116,366	7,621,040
	<b>52,705,266</b>	<b>64,009,686</b>

### 21.1 Traveling Expenses

	2021	2020 (As Restated)
Traveling expenses-local	46,300	12,899
	<b>46,300</b>	<b>12,899</b>

### 21.2 Training Expenses

	2021	2020 (As Restated)
Training expenses	242,679	-
	<b>242,679</b>	<b>-</b>

### 21.3 Supplies and Materials Expenses

	2021	2020 (As Restated)
Office supplies expenses	296,238	205,913
Accountable forms	-	10,179
Non accountable forms	-	12,053
Fuel, oil and lubricants expenses	836,927	1,151,499
Other supplies and materials expenses	180,793	104,584
	<b>1,313,958</b>	<b>1,484,228</b>



#### 21.4 Utility Expenses

	2021	2020 (As Restated)
Water expenses	75,737	406,881
Electricity expenses	6,359,437	3,544,862
	<b>6,435,174</b>	<b>3,951,743</b>

#### 21.5 Communication Expenses

	2021	2020 (As Restated)
Postage and courier services	1,907	1,068
Telephone expenses	113,650	332,625
Internet subscription expense	377,711	462,134
Cable, Satellite, Telegraph and Radio Expenses	25,925,930	31,220,918
	<b>26,419,198</b>	<b>32,016,745</b>

#### 21.6 Professional Services

	2021	2020 (As Restated)
Legal services	13,000	840
Auditing services	454,276	553,443
Other professional services	5,010,630	2,611,317
	<b>5,477,906</b>	<b>3,165,600</b>

#### 21.7 General Services

	2021	2020 (As Restated)
Security services	2,707,593	2,942,791
	<b>2,707,593</b>	<b>2,942,791</b>

#### 21.8 Repairs and Maintenance

	2021	2020 (As Restated)
Repairs and maintenance-buildings and other structures	32,226	62,080
Repairs and maintenance-furniture and fixtures	4,169	4,196
Repairs and maintenance-machinery and equipment	17,026	2,029,405
Repairs and maintenance-motor vehicles (servicing)	43,982	86,889
	<b>97,403</b>	<b>2,182,570</b>

#### 21.9 Extraordinary & Miscellaneous Expenses

	2021	2020 (As Restated)
Extraordinary & Miscellaneous Expense	1,551,059	-
	<b>1,551,059</b>	<b>-</b>

## 21.10 Taxes, Insurance Premiums and Other Fees

	2021	2020 (As Restated)
Taxes, duties and licenses	1,009,388	9,998,886
Insurance expenses	1,288,242	633,184
	<b>2,297,630</b>	<b>10,632,070</b>

## 21.11 Other Maintenance and Operating Expenses

	2021	2020 (As Restated)
Advertising expenses	26,220	138,000
Representation expenses	413,319	326,247
Rent/Lease expenses	4,700,064	5,962,218
Membership dues and contributions to organizations	68,484	95,364
Subscription expenses	1,320	1,540
Donations	-	300
Transportation and delivery expense	9,889	38,757
Bad debts	419,294	-
Other maintenance and operating expenses	477,776	1,058,614
	<b>6,116,366</b>	<b>7,621,040</b>

## 22. FINANCIAL EXPENSES

This account comprises the following:

	2021	2020 (As Restated)
Interest expense	223,789,155	1,000
Bank charges	-	100
Other financial charges	467,750	1,053,799
	<b>224,256,905</b>	<b>1,054,899</b>

## 23. NON-CASH EXPENSES

This account is composed of the following:

	2021	2020 (As Restated)
Depreciation-Infrastructure Assets	2,698,196	466,276
Depreciation-Machinery and Equipment	1,093,741	736,328
Depreciation-Furniture, Fixture and Books	80,100	78,051
Depreciation-Leased Assets Improvements	13,500	73,499
Depreciation- Other Property, Plant and equipment	187,855	62,831
	<b>4,073,392</b>	<b>1,416,985</b>

## 24. OTHER NON OPERATING INCOME

	2021	2020 (As Restated)
Miscellaneous Income	25,300	570,000
	<b>25,300</b>	<b>570,000</b>

## 25. ASSISTANCE/SUBSIDY/(FINANCIAL ASSISTANCE/SUBSIDY/CONTRIBUTION)

This consists of Subsidy from the National Government for:

	2021	2020 (As Restated)
Personnel Services	129,989,000	77,768,000
Tax subsidy	117,835,395	120,304,489
Acquisition of new transmitter	184,896,715	-
	<b>432,721,110</b>	<b>198,072,489</b>

## 26. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year other than the remuneration received by the key management personnel.

## 27. KEY MANAGEMENT PERSONNEL

The key management personnel of the IBC-13 are the Chairperson, the Members of the Governing Board, and the Principal Officers. The Governing Body consists of members appointed by the President of the Philippines. The Principal Officers consist of the Executive Director, the Deputy Executive Directors and the Department Managers.

### 27.1 Key Management Personnel Compensation

The aggregate remuneration of members of the governing body and the number of members determined on a fulltime equivalent basis receiving remuneration within this category, are:

	Total Remuneration
Salaries and wages	6,678,322
Other personnel benefits	1,452,720
	<b>8,131,042</b>

## 28. ACCUMULATED SURPLUS/(DEFICIT)

In accordance with the Philippine Accounting Standard No. 8, Accounting Policies, Changes in Accounting Estimates and Errors, the Accumulated Surplus/(Deficit) are as follows:

	<b>Amount</b>
<b>Accumulated surplus, January 1, 2020</b>	(1,535,307,486)
Add (deduct) adjustments:	94,009,439
Prior period errors	-
<b>Accumulated surplus, December 31, 2020</b>	(1,441,298,047)
Surplus for CY 2021	212,075,000
Other adjustments	924,252
<b>Accumulated surplus, December 31, 2021</b>	<b>(1,228,298,795)</b>

## 29. REVALUATION SURPLUS

This is an appraised value of building amounting to P982,545,213.

## 30. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2021 is the proposed COB for the year 2020 and was submitted to the DBM for review/evaluation while the final budget is the amount as approved by DBM. The proposed/original COB is prepared considering: (1) the agency's various programs, projects and activities in the pursuance of its mandate; (2) the projected revenues and other sources of income to finance and support these programs; (3) actual expenses for previous years; and (4) effects of inflation. Aside from the COB, the Agency has received subsidy appropriated for the implementation of its programs.

Changes between the original and final budget are due to the following:

- DBM's approved level of budget reducing the proposed amount by P154,157,000.
- As a consequence of re-alignment/re-allocations of uses and priorities of projects.
- Repairs and Maintenance. The facilities of the IBC-13 is 43 years old. As the facilities, equipment and machines age, the expense for preventive maintenance and repairs also increases.

## 31. SUPPLEMENTARY INFORMATION REQUIRED BY BIR UNDER REVENUE REGULATION NO. 15-2010

### 31.1 Revenue Regulation (RR) No. 15-2010

The IBC-13 is compliant to the requirements under Revenue Regulation (RR) No. 15-2010 dated November 25, 2010, pertinent to taxes, duties and license fees paid or accrued during the taxable year thru submission of documentary requirements based on the prescribed process.

IBC-13 was granted last November 29, 2021, SARO No. BMB-C-21-0012993 to cover payment of tax obligation with the BIR from Fiscal Years 2005 and 2008 unpaid taxes to the BIR for taxable years 2007, 2009, 2010, 2014, 2019 as approved by Fiscal Incentive

Review Board (FIRB) as per FIRB No. 26-21 dated November 12, 2021 with Certificate of Entitlement to Subsidy No. 0219 dated November 19, 2021.

<b>Due to BIR as of December 31, 2021</b>	<b>Amount</b>
Due to BIR – Withholding tax on compensation	38,896,940
Due to BIR – Expanded withholding tax	626,846
Due to BIR – Output tax	68,611,560
	<b>108,135,346</b>

The balances on compensation and expanded tax was offset to output tax. Finance Department will make the necessary adjustment for 2022.

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid during the taxable year.

- a. The agency is a Value Added Tax (VAT) registered company with VAT output tax declaration of P68.611 million for the year based on the amount reflected Business and Service Income.

- b. Other Taxes and Licenses

Local	-
National (BIR Annual Registration Fee)	500
<b>Total</b>	<b>500</b>

- c. The amount of withholding taxes paid/accrued for the year amounted to:

Tax on compensation and benefits	7,331,051
Creditable withholding taxes	15,230,674
Final withholding taxes	1,055,824
<b>Total</b>	<b>23,617,549</b>

### **32. COMPLIANCE WITH SSS LAW**

The IBC-13 complied with Section 14.1 of Republic Act No. 8291 which provides that each government agency shall remit directly to the SSS the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees' premium contributions and employer's share for CY 2018:

	<b>Withheld</b>	<b>Remitted</b>
Life and retirement premiums, employees share	62,147,023	56,212,864
Government share	84,382,291	76,000,048
<b>Total</b>	<b>146,529,314</b>	<b>132,212,912</b>